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CC: "Ann Campbell" <Campbell.Ann@epamail.epa.gov>
Subject: Fw: Nationwide Insurance - Fracking

As mentioned on Monday
Nancy K. Stoner

From: Judith Enck
Sent: 07/18/2012 12:11 PM EDT
To: Nancy Stoner; Mike Shapiro; Bob Sussman; Shawn Garvin; Susan Hedman; Sam Coleman; martin.jamesb@epa.gov; malone.kathleen@epa.gov; Cynthia Giles-AA; Lawrence Starfield
Subject: Nationwide Insurance - Fracking
More detail on what I mentioned at monday's meeting
Sent by EPA Wireless E-Mail Services

From: Kevin Hurley
Sent: 07/18/2012 10:25 AM EDT
To: enck.judith@epa.gov
Subject: Nationwide Insurance - Fracking

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EPA Region 2

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the U.S. Virgin Islands and Eight Tribal Nations

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Nationwide Insurance: Fracking Damage Won't Be Covered

AP | By MARY ESCH Posted: 07/12/2012 7:04 pm

ALBANY, N.Y. (AP) — Nationwide Mutual Insurance Co. has become the first major insurance company to say it won't cover damage related to a gas drilling process that blasts chemical-laden water deep into the ground.

The Columbus, Ohio-based company's personal and commercial policies "were not designed to cover" risk from the drilling process, called hydraulic fracturing, or fracking, Nationwide spokeswoman Nancy Smeltzer said Thursday.

The process injects chemically treated water into wells to fracture shale thousands of feet underground and release trapped gas or oil. There are rich shale deposits in parts of Pennsylvania, New York, Ohio, West Virginia and elsewhere.

Health and environmental groups claim fracking can contaminate drinking water. The gas industry says it's safe if done properly. Nationwide said risks involved in fracking operations "are too great to ignore" and apply to policies of commercial contractors and landowners who lease property to gas companies.

The Nationwide policy first came to light when an internal memo detailing underwriting guidelines was posted on websites of upstate New York anti-fracking groups and landowner coalitions seeking gas leases. Smeltzer

confirmed that the memo was genuine but said it wasn't intended for public dissemination.

The memo reads: "After months of research and discussion, we have determined that the exposures presented by hydraulic fracturing are too great to ignore. Risks involved with hydraulic fracturing are now prohibited for General Liability, Commercial Auto, Motor Truck Cargo, Auto Physical Damage and Public Auto (insurance) coverage."

It said "prohibited risks" apply to landowners who lease land for shale gas drilling and contractors involved in fracking operations, including those who haul water to and from drill sites; pipe and lumber haulers; and operators of bulldozers, dump trucks and other vehicles used in drill site preparation.

A spokesman for a research and outreach program of the Independent Petroleum Association of America, whose members drill most of the nation's oil and gas wells, said nothing in what Nationwide said represented a change in policy for the company. Simon Lomax, the research director for Energy In Depth, said insurers don't sell products specific to individual steps of the oil and gas development process.

"But practical implications aside, the fact that the company would send out a statement this reckless, and this uninformed, should tell us a lot," Lomax said in an emailed statement. "For starters, it tells me that I won't be buying home and car insurance from this company."

Opponents of fracking point to some highly publicized accidents that resulted in contamination.

In late 2010, Houston-based driller Cabot Oil & Gas Corp. settled for \$4.1 million with residents of Dimock, Pa., over gas found in their water. State environmental regulators determined Cabot contaminated the aquifer underneath homes with explosive levels of methane. A Cabot spokesman said levels of contaminants found didn't pose a threat to human health or the environment.

Jeffrey Hanneman, the Texas-based director of environmental practice at the insurance broker Aon Risk Solutions, said the Nationwide move was "really unique" and he doesn't expect it will be the beginning of a trend.

"To date, all we've seen are some that were hesitant to write environmental coverage," Hanneman said. "But the Nationwide is sort of a broader ban on all the ancillary services related to it (fracking)."

Hanneman noted that there haven't been any substantial claims that targeted companies other than those that own and operate the wells or the contractors who do the drilling. And even those claims have been few and far between.

He said one factor that may be driving Nationwide's decision is that increasing publicity — much of it negative — surrounding fracking makes it possible that any damage claims would go beyond the big oil and gas companies to include the hundreds of supporting businesses such as haulers.

Mike Elmendorf, president of the general contractors' group Associated General Contractors of New York State, said the Nationwide decision was unwelcome news for his members who do work for the gas industry and was not based on facts.

With a record of shale gas development having been done safely, "it is hard to fathom the rationale for this decision," Elmendorf said. "It would seem Nationwide is not on job creation's side."

Nationwide statement regarding concerns about hydraulic fracturing

FOR IMMEDIATE RELEASE

July 13, 2012

Contact:

Media Relations Hotline

614-249-6349

Columbus, OH- Nationwide issued the following statement today regarding insurance coverage concerns related to hydraulic fracturing, better known as "fracking".

Gas and oil drilling has been going on in this country for many years in the west and southwest. Fracking is another variation of the gas and oil business. In recent years, oil and gas exploration has come to New York, Pennsylvania and Ohio.

Nationwide has not changed our policies or guidelines, nor are we cancelling policies. Fracking-related losses

have never been a covered loss under personal or commercial lines policies.

Nationwide's personal and commercial lines insurance policies were not designed to provide coverage for any fracking-related risks.

Insurance works when a carrier can accurately price the coverage to match the risks. When information and claims experience are not available to fully understand the scope of a given risk, carriers aren't able to price protection that would be fair to both the customer and the company.

However, Nationwide will investigate all claims submitted by our customers that they believe are the result of damage from fracking. Every Nationwide claim is reviewed on a case-by-case basis.

From an underwriting standpoint, we do not have a comfort level with the unique risks associated with the fracking process to provide coverage at a reasonable price.

Insurance is a contract and it is designed to cover certain risks. Risks like natural gas and oil drilling are not part of our contracts, and this is common across the industry.

Our longstanding underwriting guideline is that we do not insure the oil and gas business.

We encourage consumers to be knowledgeable about any risks to their property and assets. For advice, seek the help of financial and legal specialists who can discuss the unique nature of the risks associated with oil and gas exploration. We also advise consumers to talk to their insurance agent to understand what coverage is provided in their personal or commercial lines policies.

About Nationwide

Nationwide Mutual Insurance Company, based in Columbus, Ohio, is one of the largest and strongest diversified insurance and financial services organizations in the U.S. and is rated A+ by both A.M. Best and Standard & Poor's. The company provides customers a full range of insurance and financial services, including auto insurance, motorcycle, boat, homeowners, pet, life insurance, farm, commercial insurance, annuities, mortgages, mutual funds, pensions, long-term savings plans and specialty health services. For more information, visit www.nationwide.com.